IMPACT OF COVID-19 ON THE FINANCIAL PERFORMANCE OF INDIAN PHARMACEUTICAL COMPANIES (A CRITICAL ANALYSIS WITH SPECIAL REFERENCE TO NIFTY PHARMA INDEXED COMPANIES)

Synopsis

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INTRODUCTION

ABOUT COVID-19

Corona virus disease 2019(COVID-19) is caused by a new coronavirus first identified in Wuhan, China in December 2019. Because it's a new virus, scientists are learning more each day. Although most people who have COVID-19 have mild symptomps.COVID-19 can also cause severe illness and even death. Some groups, including older adults and people who have certain underlying medical conditions, are at increased risk of severe illness. On Feb 11 2020, the World Health Organization announced on official name for the disease that is causing the 2019 novel coronavirus outbreak. The new name of this disease is coronavirus disease 2019 abbreviated as COVID-19.In COVID-19'CO stands 'Corona 'VI for 'virus 'and 'D' for disease .Formerly this disease was referred to as "2019" novel coronavirus or 2019-n-cov". The virus is also known as the severe acute respiratory syndrome coronavirus 2 (SARS- CoV-2).This unprecedented public health emergency has demonstrated that health facilities, medical transport, patients as well as health care workers and their families can and do become targets everywhere. The Government of India confirmed India's first case of Covid-19 on January 30, 2020 in the State of Kerala. As the number of confirmed Covid-19 positive cases closed 500, Prime Minister of India, Narendra Modi on 22 March 2020, asked all citizens to observe 'Janta Curfew'. In April 2020 there were total 33,610 confirmed cases and 1075 deaths which increased upto 10,266,674 confirmed cases and 1,48,738 deaths by the end of December 2020 with total 98,60,280 recoveries till 2020. Like several parts of the world, especially Europe India has experienced a massive surge of Covid-19 cases and deaths. Since the middle of March 2021, the second wave has started, and on April 09, the highest number of cases which is 1,44,829 has been identified in India. The country is only the third in the world to record more than 3,00,000 deaths-behind the US and Brazil. The real number of fatalities might be much higher as many deaths are not officially recorded. Also India's government is promising to vaccinate the whole of the population by end of 2021, although its biggest vaccine maker has been struggling to meet demand.

There are currently two locally- made vaccines for the coronavirus: Covishield and Covaxin. The Serum Institute of India (SII) makes Covishield (Under license from AstraZenca), whilst the second largest producer, Bharat Biotech, makes the locally developed Covaxin.

PHARMACEUTICAL SECTOR

The Pharmaceutical industry is the part of the healthcare sector that deals with medications. The industry comprises different subfields pertaining to the development, production and marketing of medications. These more or less interdependent subfields consist of drug manufacturers, drug marketers, and biotechnology companies. The main goal of the pharmaceutical industry is to provide drugs that prevent infections, maintain health and cure diseases. This industry directly affects the global population so a number of international regulatory bodies monitor things like drug safety, patents, quality and pricing. Some of the regulatory entities are:

1. **World Health Organization (WHO)**
2. **US Food and Drug Administration (FDA)**
3. **Medicines & Healthcare Products Regulatory Agency (MHRA**)

Pharmaceutical industry is one of the most unique industry as it serves the society to the core, it not only provides employment but it also saves millions of lives with its medicines and vaccinations.

Types of Pharmaceutical Companies

Broadly there are three types of Pharmaceutical companies:

1. **Manufacturing Units**: These units have internationally acclaimed Research and development laboratories and a large number of manufacturing plants.
2. **Research and Development Units**: Smaller Research and development pharmaceutical companies may not have any approved drugs on the market but continue to focus on research such as clinical trial observation. Research and Development firms may also be subcontractors for mainline companies requiring additional research support.
3. **Marketing Units**: A number of drugs on the market no longer have patent protection. Generic Pharmaceutical companies bring these drugs back to the market after patent expiration as less expensive versions.

Some of the well-established Pharmaceutical companies worldwide in the Financial Year 2020 are **Pfizer** with $51.75bn of revenue, **Johnson & Johnson** with $ 56.1bn, **Roche** $ 49.23bn, **Novartis** $47.45bn, **Merck & Co.** $46.84bn, **GlaxoSmithKline** $44.27bn, **AstraZeneca** $103.7bn, **AbbVie**

$33.27bn etc. are expected to witness positive growth as the top Pharma companies are at forefront of the fight against Covid-19.

INDIAN PHARMA INDUSTRY-AN OVERVIEW

India is a prominent rapidly growing presence in global pharmaceuticals. The country has an established domestic pharmaceutical industry, **with a strong network of 3000 drug companies and 10500 manufacturing units.** Indian Pharma Industry is ranked 3rd globally in volume and 13th in value. India is also called as the pharmacy of the world. India is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume. It also supplies 62% of global demand for vaccines. The Government has also increased expenditure on Health Sector in India during initial years. The various schemes launched by Government to promote generic drugs are Pradhan Mantri Bhartiya Janaushadi Pariyojana (PMBJP), National Health Policy, Ayushmaan Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), Pharma Vision 2020 to make India as global leader in end to end drug manufacture. The Pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. There has been a recent rise in the prices of raw materials imported from China due to the pandemic. Generic drugs are the most impacted due to heavy reliance in imports, disrupted supply-chain, and labor unavailability in the industry, caused by social distancing. Simultaneously, the Pharmaceutical industry is struggling because of the government –imposed bans on the export of critical drugs, equipment, and PPE kits to ensure sufficient quantities for the country. The increasing demand for these drugs, coupled with hindered accessibility is making things harder. Easing the financial stress on the Pharmaceutical companies, tax- relaxations, and addressing the labor force shortage could be the differentiating factors in such a desperate time.

FINANCIAL PERFORMANCE

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

The domestic pharma market turnover in India has reached INR 1.4 lakh crores in 2019 as per the government data. This is actually an increase from INR 1.29 lakh crores in 2018.Indian pharmaceutical industry is predicted to outperform the global pharmaceutical industry expected to grow at 5% per annum as it is forecast to grow at 15 percent per annum between 2014-15 and 2018-2029. Indian industry is assumed to grow to 4 lakh crores by 2020.

REVIEW OF LITERATURE

TABLE 1: INTERNATIONAL REVIEWS

S.NO	YEAR	AUTHOR	TITLE	OBJECTIVES	CONCLUSION
1.	2021	Ghanchi Durgaben	A study on financial performance of pharmaceutical companies of India.	To study the financial performance of selected pharmaceutical companies & To compare the profitability & liquidity of selected pharmaceutical.	Financial managers are faced with the problem of raising additional capital resources. Inflation has thus made the efficient capital structure task more difficult but at the same time more important and more challenging for financial managers. In short, capital structure focuses on efficient financial decision making within the firm.
2.	2020	Nayyereh Ayati Parisa Saiyarsarai Shekoufeh Nikfar	Short and long term impact of Covid-19 on the pharmaceutical sector	Current short communication study assessed pharmaceutical market crisis during the covid-19 era; discussing short and long term impact of the pandemic on the pharmaceutical sector.	The pandemic of covid-19 poses considerable crisis on the health markets including the pharmaceutical sector; and identification of these effects, may guide policy makers towards more evidence informal planning to overcome accompanying challenges.
3.	2020	Shivam Mittal, Dipasha Sharma	The impact of covid-19 on Stock returns of the Indian health care and pharmaceutical sector.	To study the impact of covid-19 on stock returns of the health care and pharmaceutical sector.	The results show that Covid-19 outbreak significantly affects the stock performance of the sector. Healthcare and pharma companies would be operating in

					an effective manner to fulfill the demand for their products and services, which would in turn increase their operating ability and turnover, making them the most lucrative option for investors.
4.	2020	Tom Jacob Ajina VS	Capital structure and financial performance of pharmaceutical companies in Indian stock exchange.	1. To analyze the impact of capital structure on financial performance& To evaluate the interrelationship between capital structure and financial performance.	The regression Analysis is used to estimate the relationship between the capital structure and firm performance measured by Debt equity ratio and return on equity. The regression result shows that there is no relationship between capital structure and financial performance of the selected pharmaceutical companies listed at the stock exchange market in India.
5.	2020	Vinod kumar Gupta,Dr. Rajesh Gupta	Indian pharmaceutical Industry strategies challenges in India, comparison of post reform and prereform period.	Present study is an attempt in the context of examining the growth of Indian pharmaceutical industry at regional and state level keeping the above policies into consideration.	The main purpose is to analyze the current situation, the biggest challenges and the vision of the pharmaceutical industry. There is almost no data on each industry as they will reveal their future policies and strategies.
6.	2015	Dr. Seema Malik	An investigation of the association between ownership structure and financial performance of pharmaceutical companies in India-A panel study	The main purpose of the present research is to study the relationship and impact of ownership structure i.e. promoters Indian Institutional Investors and foreign Institutional investor's shareholding on the financial performance of the selected	The empirical results of this research support the agency theory that high ownership lends a hand to reduce agency cost by having more alignment effect.

				pharmaceutical companies listed in Bombay stock exchange.	
7.	2012	S.Christian Sheela Dr.K.Karthikeyan	Financial Performance of pharmaceutical industry in India using DuPont Analysis.	To study and measure the financial performance of the pharmaceutical industry taking top three companies like Cipla, Dr. Reddy's laboratories and Ranbaxy.	The DuPont analysis that is made for the top 3 most profitable pharmaceutical companies in India emphasize that absolute measurements are not relevant every time. Therefore to have a common basis of comparison between several companies and to compare ranks the relative sizes for measuring efficiency are necessary when calculating the ratio.
8.	2010	Amalendu Bhunia	Financial performance of Indian pharmaceutical Industry A case study	The objective of the present work to make a study on the overall financial performance of selected public sector drug & pharmaceutical enterprise in India.	The Indian pharmaceutical industry will witness an increase in the market share. The sector is poised not only to take new challenge but to sustain the growth momentum of the past decade.

TABLE 2: NATIONAL REVIEWS

1.	2021	Anis Ali	Firm size and supply chain finance in Indian pharmaceutical Industry: Relational firm analysis of size determinants and cash conversion cycle.	The objective of the study is to find out the relation and degree of governance of size determinants on the supply chain finance.	The study reveals that size determinants affect the supply chain finance positively but moderately while working capital governs directly as working capital comprises the components of cash conversion cycle.
2.	2020	Dr.Sasi Bhushan Mamilla	Profitability Analysis of Indian pharmaceutical Industry-A case study of NATCO pharma private	To find out the efficiency of assets utilization in NATCO pharma Private ltd.& To study the solvency capacity of the NATCO pharma	Gross profit margin, Capital turnover &solvency capacity are not uniform during the period of study. The solvency capacity was continuously declining during the

			Ltd.	private ltd during the period of study.	period of study.

NEED OF THE STUDY

The coronavirus disease (Covid-19) has impacted every segment of life like commercial establishment, education, economy, religion, transport, tourism, employment, entertainment, food security, sports etc. The outbreak is a major destabilizing threat to the global economy. The pharmaceutical industries also face an enormous outbreak during Covid-19. Many Researches has been done on the study of financial performance of Pharmaceutical companies but no research has been done in context of covid-19 and its impact on the NIFTY pharmaceutical industry and changes and hurdles faced by the companies during that period. The study on Pharmaceutical industry with covid-19 references has not been conducted by any researcher so far. This research can be taken as a case study for future, the problems and the challenges that can arise for the Pharmaceutical industry during such pandemic and how to overcome the whole scenario.

OBJECTIVES

1. To evaluate the financial performance of selected Indian Pharmaceutical companies.
2. To assess the liquidity and solvency position of the sample Companies during Covid-19.
3. To analyze the profitability and the impact of Covid-19 on Share price of selected Indian Pharmaceutical companies.
4. To compare and interpret financial statements of the selected Indian Pharmaceutical companies for Pre and During Covid period in India.
5. To examine the stakeholders perceptions with regard to financial performance of selected Indian Pharmaceutical companies.
6. To analyze the "Scenario Analysis" of the stakeholders during covid-19.

HYPOTHESES OF THE STUDY

To provide the scientific base to the findings, the researcher has constructed the following Null Hypothesis (H_0)

1. There is no significant impact between covid-19 and financial performance of selected Indian Pharmaceutical companies.

2. There is no significant impact between Covid-19 and liquidity and solvency position of selected Indian Pharmaceutical companies.

3. There is no significant difference in perceptions of different stakeholders of the selected Indian Pharmaceutical Companies regarding different variables.

RESEARCH METHODOLOGY

To accomplish the objectives of the study the following Research methodology is proposed**.**

RESEARCH DESIGN

Research refers to the systematic method consisting of identification of the problem, formulating a hypothesis, collecting the facts or data, analyzing the facts and reaching certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation. This study is descriptive and is conducted to show the financial performance of selected listed Pharmaceutical companies.

SAMPLE SIZE & SELECTION CRITERIA

POPULATION OF THE STUDY

To achieve the aim of the research the data would be collected from highest market capitalization pharmaceutical companies listed under NIFTY are as follows:

TABLE 3: COMPANIES LISTED UNDER NIFTY

S.NO	NAME OF COMPANIES
1.	Sun pharmaceutical Industries(Sun Pharma)
2	Dr. Reddy' laboratories (Dr.Reddy)
3.	Divi's laboratories (DIVISLAB)
4.	Cipla Ltd.(CIPLA)
5.	Lupin Ltd. (LUPIN)
6.	Aurobindo Pharma (AUROPHARMA)
7.	Biocon Ltd.(BIOCON)
8.	Cadila Healthcare (CADLAHC)
9.	Torrent Pharmaceutical (TORNTPHARM)
10	Alkem Laboratories (ALKEM)

(SOURCE: Nifty Pharma Index)

DURATION OF THE STUDY

The period selected for the proposed study would be Financial Year 2018-19 to 2019-20(Pre Covid period) Financial Year 2020- 21to 2021-22 (during Covid period) and financial year 2022-23 may be considered as Post Covid period

COLLECTION OF DATA

Data collection is the method of assembling and evaluating the facts or information or variables of interest, in a recognized or systematic manner that facilitate one to answer the stated research questions, test the stated hypotheses and evaluate outcomes and give suggestions. In this study, secondary data will be collected.

1. **PRIMARY DATA**

Primary data will be collected through questionnaire. Sample size for the primary data will be taken from 500 respondents (i. e stakeholders) Questionnaires will be framed to know the attitude and perception of the stakeholders of the selected companies towards the impact of Covid-19.

Table 4: Types of respondents

Types of Respondents(stakeholders)	Total Sample
Doctors	20
Medical Representatives	20
Shareholders	100
Medical store	100
Employees	100
Customers	160

2. **SECONDARY DATA**

Secondary data is the process of reprocessing and reusing collected information. In the study, secondary data will be collected from various articles, financial statements, journals, & various websites. The internet plays crucial role to collect relevant information for the study.

TOOLS FOR DATA ANAYSIS

Ratio analysis, Mean, Standard Deviation, Regression or other require test will be used as per the nature of data

TABLE 5: OBJECTIVE WISE RESEARCH METHODOLOGY

OBJECTIVES	**METHODOLOGY**
1. To evaluate the financial performance of selected Indian Pharmaceutical companies.	To achieve this objective the researcher will apply various financial Ratios and other statistical tools according to the data available.
2. To assess the liquidity and solvency position of the sample companies during covid-19.	To achieve this objective researcher will collect the information related to the different journals, websites, reports and articles.
3. To analyze the profitability and the impact of Covid-19 on Share price of selected Indian	To achieve this objective appropriate percentage will be used.

Pharmaceutical companies.	
4. To compare and interpret financial statements of the selected Indian Pharmaceutical Companies for Pre and During Covid period in India.	The researcher will apply regression analysis and other appropriate tools to accomplish the objective.
5. To examine the stakeholders perception during regarding financial performance of selected Indian Pharmaceutical companies.	A self-designed Questionnaire will be used to collect data for achieving the objective containing only close ended questions**.**
6. To analyze the "Scenario Analysis" of the stakeholders during covid-19.	To examine the behavioural anlaysis of the stakeholders through questionnaire**.**

PROPOSED CHAPTER PLAN

The entire work is divided into 9 chapters which are as follows:

Chapter 1: Introduction, Review of Literature

Chapter 2: An overview of Indian Pharmaceutical Industry.

Chapter 3: An evaluation of financial performance of selected Pharmaceutical companies.

Chapter 4: Impact of Covid-19 on financial performance of selected Pharmaceutical Companies.

Chapter 5: To analyze the profitability and the impact of Covid-19 on share price of selected Pharmaceutical Companies.

Chapter 6: To Compare and Interpret the impact of Covid-19 on Financial performance of Pharmaceutical Companies.

Chapter 7: To examine the stakeholder's perception and 'Scenario Analysis' regarding financial performance of selected Companies.

Chapter 8: Findings, suggestions, & Conclusions.

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